

**THE OFFICE OF REGULATORY STAFF**

**DIRECT TESTIMONY**

**OF**

**HANNAH K. MAJEWSKI**

**DECEMBER 10, 2010**



**DOCKET NO. 2010-132-W**

**Application of May River Water Company,  
Inc. for Adjustment of Rates and Charges  
for the Provision of Water Service**

**TESTIMONY OF HANNAH K. MAJEWSKI**

**FOR**

**THE OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2010-132-W**

**IN RE: APPLICATION OF MAY RIVER WATER COMPANY, INC. FOR  
ADJUSTMENT OF RATES AND CHARGES FOR THE PROVISION OF  
WATER SERVICE**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND  
OCCUPATION.**

A. My name is Hannah Majewski, and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina Office of Regulatory Staff (“ORS”) as the Program Specialist for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND  
EXPERIENCE.**

A. I received a Bachelor of Arts Degree in English from the University of South Carolina in 1990. I have been employed by the State of South Carolina approximately 20 years, the last three of which have been with the Office of Regulatory Staff. In July 2009, I became the Program Specialist for the Water and Wastewater Department.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
PROCEEDING?**

**THE OFFICE OF REGULATORY STAFF  
1401 Main Street, Suite 900  
Columbia, SC 29201**

1 A. The purpose of my testimony is to set forth ORS's staff findings relative  
2 to my review of the rate increase application of May River Water Company, Inc.  
3 ("May River"). I will also provide information on ORS's audit of May River's  
4 water system, test-year revenue, proposed revenue adjustments and performance  
5 bond requirements.

6 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**  
7 **TESTIMONY AND EXHIBITS.**

8 A. I used ORS's Business Audit results, information provided by May River  
9 in its application and additional information provided by May River during ORS's  
10 review.

11 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**  
12 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

13 A. Yes, my testimony and the attached exhibits detail ORS's findings and  
14 recommendations.

15 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATION, SERVICE**  
16 **TYPE AND CUSTOMER BASE SERVED BY MAY RIVER.**

17 A. May River is a water utility providing water supply and distribution  
18 services to 28 residential and commercial customers in the May River Plantation  
19 subdivision in Beaufort County. May River is classified as a NARUC Class C  
20 water utility according to the revenue reported on its application for the test year  
21 ending December 31, 2009. May River formerly operated under the name of  
22 South Atlantic Utilities, Inc. ("South Atlantic"), which is located in Savannah,  
23 GA. May River applied to the Commission, and was granted under Order No.

1        2009-66 in Docket No. 2007-319-W, approval to transfer South Atlantic's South  
2        Carolina customers and water systems to May River. May River is the only  
3        subsidiary of Water Utility Management, LLC that operates in South Carolina.

4        **Q. PLEASE EXPLAIN EXHIBIT HKM-1.**

5        A.            Exhibit HKM-1 is a summary of the May River water supply system  
6        inspected by ORS on November 3, 2010. May River bills its customers once  
7        every two months and does not collect deposits or terminate service due to non-  
8        payment.

9        **Water Supply/Distribution System**

10       May River currently provides adequate water supply and distribution  
11       services to its customers using a well. Safe drinking water standards are being  
12       met according to recent DHEC sanitary survey reports. DHEC rated the water  
13       system as "SATISFACTORY" during their last sanitary survey. May River has  
14       one 5,000 gallon storage tank. There is no potential for customer growth.

15       **Q. HAS ORS RECEIVED ANY COMPLAINTS DURING THE TEST YEAR**  
16       **REGARDING MAY RIVER?**

17       A.            No.

18       **Q. EXPLAIN THE TEST YEAR REVENUE COMPUTED BY ORS FOR MAY**  
19       **RIVER.**

20       A.            ORS used May River's current and proposed rates denoted in the  
21       Application for each calculation. ORS calculated May River's test year revenue  
22       at \$12,465, which includes 28 customers charged at the current rate of \$30 per  
23       month with a \$2.00 per 1000 gallon commodity charge for any amount over



1 performance bond for water service satisfies the criteria as set forth in S. C. Code  
2 Ann. Section 58-5-720 (Supp. 2009) (see Exhibit HKM-3).

3 **Q. PLEASE EXPLAIN EXHIBIT HKM-4.**

4 A. Exhibit HKM-4 is a summary of May River's proposed rates.

5 **Q. WHAT OPERATING MARGIN DOES ORS RECOMMEND FOR MAY**  
6 **RIVER IN THIS RATE CASE?**

7 A. Using ORS's proposed adjustments for the test year ending December 31,  
8 2009, the Operating Margin computed by ORS for May River is -93.04%. May  
9 River's proposed increase, with ORS proposed adjustments, would generate an  
10 operating margin of 30.83%. ORS recommends an operating margin range of 10-  
11 15%, which will provide a prudent balance between the consumer's need for  
12 affordable, quality service and May River's financial health. It is the position of  
13 ORS that this operating margin range, as recommended, is fair, reasonable and  
14 balances the overall public interest. I would request the Commission approve  
15 rates that would produce an operating margin within this range.

16 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

17 A. Yes it does.



## ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: May River Water Co., Inc.  
 Inspector: Willie Morgan, Henry Webster, Hannah Majewski  
 Office: 621 Stephenson Ave., Savannah, SC 31416  
 Utility Type: **Water**  
 Date: November 3, 2010  
 Company Representative: Mr. Tom Smith, Mrs. Allison Chumley

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with Rule R.103-710.	X		
2	Complaint records maintained in accordance with R.103-716	X		
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-730.	X		Updated copy of regs. given to utility
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the South Carolina Public Service Commission and that the customer has the right to register the complaint in accordance with R.103-730.	X		
5	Deposits charged within the limits established by R.103-731.	X		No deposits have been charged
6	Timely and accurate bills being rendered to customers in accordance with R.103-733.	X		Bill bi-monthly on 5 <sup>th</sup> of every even month; payment due on 25 <sup>th</sup> of billed month
7	Bill forms in accordance with R.103-732.		X	Bill form does not include rate schedule or availability of rate schedule.
8	Adjustments of bills handled in accordance with R.103-733	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-735.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-735.	X		Utility has had no service terminations during the test year.
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-714-C.	X		



### ORS BUSINESS OFFICE COMPLIANCE REVIEW

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-730.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-714.	X		
14	Utility advised the Commission, in accordance with Rule R.103-712 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, and emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.			28 Active customers; 2 availability fee customers (1 of the 28 customers has own well; HOA has 2 meters; 4 additional residents in service area have own well)
17	Company has a current performance bond on file with the Commission. Amount of bond: <b>\$100,000</b>	X		
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility is in compliance with Gross Receipts reporting and payment regulations.	X		



## ORS WATER SYSTEM INSPECTION REPORT

### Inspection Overview

<b>Date Inspected:</b>	November 3, 2010
<b>Inspector Name:</b>	Willie Morgan, Henry Webster, Hannah Majewski
<b>Docket Number:</b>	2010-132-W
<b>Utility Name:</b>	May River Water Co., Inc.
<b>Utility Representative:</b>	Mr. Tom S. Smith
<b>Number of Customers:</b>	28 & 2 availability customers
<b>System Type (distribution, well, etc):</b>	Well & distribution
<b>Location of System:</b>	Bluffton
<b>Location of Utility Office:</b>	Savannah, Ga.
<b>Treatment Type:</b>	None
<b>Permit #:</b>	0750005
<b>Last SC DHEC Compliance Rating:</b>	Satisfactory - Oct. 23, 2009
<b>Frequency checked by Licensed Operator:</b>	Weekly
<b>Wastewater Provider:</b>	Individual Septic

### Inspection Overview

	System Components Inspected	Specific Type	#	P S I	Capacity (gallons)	Compliance		Comments
						Yes	No	
1	Well Sites		1	55		X		
2	Pump Houses		1			X		
3	Storage Tank	Pressurized	1		5,000	X		
3a	Storage Tank	Non-Pressurized						N/A
3b	Storage Tank	Overhead						N/A
4	Chlorinator							No chlorination
5	Other Chemicals in use							N/A
6	Meters		28			X		
7	Fire Hydrants							None
8	Electrical Wiring acceptable					X		
9	Piping acceptable					X		
10	Water free of air					X		
11	Water free of sand					X		
12	Water clarity					X		
13	System free of leaks					X		
14	Water free of observed odor					X		
15	Access road adequate					X		
16	Ability for service area to expand						X	

### Additional Comments:

**May River Water Company, Inc.**  
**2010-132-W**  
**Service Revenue Impact**  
**for Test Year ending December 31, 2009**

Exhibit HKM-2

**Water Revenue Overview for Test Year Ending 2009**

Customer Classification	Units	Rate/Charge per month or kgal	Test Year Calculated Revenues
Base Facilities Charge <sup>1</sup>	28	\$30.00	\$10,080
Tier 1 Commodity Charge (over 10,000 gallons)	1,000,690	\$2.00	\$2,001
<b>Metered Revenue</b>			<b>\$12,081</b>
Availability Charge	2	\$16.00	\$384
<b>Unmetered Revenue</b>			<b>\$384</b>
<b>Total Operating Revenues - Pro Forma Present</b>			<b>\$12,465</b>

**Water Revenue Overview for Test Year Ending 2009 Using Proposed Rates**

Customer Classification	Units	Rate/Charge per month or kgal	Test Year Calculated Revenues	Increase Amount from Present Rates	Increase %
Base Facilities Charge <sup>1</sup>	28	\$65.00	\$21,840	\$11,760	117%
Tier 1 Commodity Charge (0 - 4,000 gallons)	1,009,780	\$4.50	\$4,544		
Tier 2 Commodity Charge (4 - 6,000 gallons)	385,570	\$5.50	\$2,121		
Tier 3 Commodity Charge (6,000 + gallons)	1,548,240	\$6.50	\$10,064	\$16,728	836%
<b>Metered Revenue</b>			<b>\$38,568</b>	<b>\$26,487</b>	<b>219%</b>
Availability Charge	2	\$32.00	\$768		
<b>Unmetered Revenue</b>			<b>\$768</b>	<b>\$384</b>	<b>100%</b>
<b>Total Operating Revenues - Pro Forma Proposed</b>			<b>\$39,336</b>	<b>\$26,871</b>	<b>216%</b>

Footnote 1: Customers of May River are billed once every two months.

May River Water Co., Inc.  
2010-132-W  
Performance Bond Calculation

Exhibit HKM-3

May River Water Co., Inc.			
Bond Value Components	Application Per Books	After ORS's Proposed Accounting & Pro Forma Adjustments	After Applicant's Proposed Increase
Purchase Power	\$796	\$796	\$796
Materials and Supplies	\$10	\$0	\$0
Contract labor -Professional	\$1,074	\$1,074	\$1,074
Contract labor - Water Testing	\$2,114	\$2,089	\$2,089
Contract labor - WUM LLC	\$27,000	\$15,463	\$15,463
Rents	\$2,760	\$2,760	\$2,760
Regulatory Commission Expense	\$60	\$1,517	\$1,517
Miscellaneous Expense	\$189	\$34	\$34
Taxes Other Than Income	\$128	\$118	\$372
Income Taxes	\$0	\$0	\$2,891
<b>Bond Value Requirement</b>	<b>\$34,130</b>	<b>\$23,851</b>	<b>\$26,996</b>
Current Performance Bond Structure	Bond Value	Expiration Date	
Personal Financial Statement	\$100,000	12/2/2011	
<b>Total Financial Assurance</b>	<b>\$100,000</b>		

**May River Water Company, Inc.**  
**Docket 2010-132-W**  
**Proposed Rates Overview**

Exhibit HKM-4

**MONTHLY CHARGES**

**METERED WATER CUSTOMERS**

BASE RATE	\$65.00 PER MONTH	
OVERAGE	\$4.50 PER 1,000 GALLONS	0 - 4,000 GALLONS
	\$5.50 PER 1,000 GALLONS	4,000 - 6,000 GALLONS
	\$6.50 PER 1,000 GALLONS	OVER 6,000 GALLONS

**WATER AVAILABILITY CUSTOMERS:**

BASE RATE	\$32.00 PER MONTH	AVAILABILITY ONLY
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Customers will be billed once every two months